

## RESPONSE

### Estimating the economic value of libraries

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Philip Pullman expresses his disappointment at the UK government's decision to cut funding to local councils, leading to a cutback in services provided, including a proposition to close libraries. Worldwide, governments are slashing budgets for public facilities to curb deficits. Interestingly, the question of allocation of scarce resources to their most economically efficient use is also raised. Should libraries face the axe or should sports grounds or other community facilities? If citizens were allowed to 'bid' for competing resources, which community facilities, including libraries, would be saved?

Some policymakers and, indeed, the public at large underestimate the benefits of public libraries. Research on public libraries and extensive surveys of Victorian library users and households by SGS Economics & Planning on behalf of the State Library of Victoria reveals that the benefits of public libraries are enjoyed not only by users, but also by non-users (SGS Economics & Planning, 2011). User benefits include:

- access to services and library programmes, such as story-time sessions and school holiday programmes for young children;
- social interaction; indeed, Pullman's paper highlights this factor:

one of the few things that make life bearable for the young mother ... is a weekly story session in the local library, the one just down the road. She can go there with the toddler and the baby and sit in the warmth, in a place that's clean and safe and friendly, a place that makes her and the children welcome;

- local amenity improvements generally associated with library buildings, including the physical attractiveness of the buildings themselves and the sense of community developed by libraries;
- environmental savings offered by the multiple use and reuse of library materials;

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- the contribution libraries make to the development of language and computer literacy, particularly when libraries are viewed as services and programmes that complement the efforts of education institutions;
- assistance with career development; for example, professional development programmes for teachers, researchers and international students; and
- the contributions to community health provided by library collections, as well as particular library programmes that focus on raising awareness of health issues.

While non-users do not experience the benefits enjoyed by library users, earlier research and surveys by SGS show that non-users receive significant benefits from public library services and often value them as much as users. Elements of this value stem from the option, existence and legacy values that public libraries confer. Although an individual may not use or ever visit a library, the knowledge that it will be indefinitely accessible creates what is known as an 'option value'. 'Existence value' is less tangible. It reflects individual perceptions of how public libraries contribute to the basic and essential elements of a local community. In essence, it stems from the fact that some non-users are willing to pay for public libraries so that others can benefit. And there is 'legacy value': individuals and communities also value maintaining public libraries so that future generations might benefit from their existence. This cultural and historical legacy stems from the feeling of obligation and responsibility towards future generations, particularly in places where there is perceived community value and interest in meeting community needs. Results of our study show that, on average, Victorian public libraries contribute an annual benefit of \$A681 million to community welfare, compared with the \$A191 million expended on service delivery costs. Put another way, for each dollar spent on Victorian public libraries, Victorians stand to benefit by up to 3.5 times that amount.

Results from the library user survey show that most patrons use the library weekly or fortnightly, with borrowing being the predominant activity. Overall, 86% of users borrow books or printed materials and 55% borrow CDs, DVDs or videos during their visits. Importantly, a wide variety of other activities is also carried out within the library. These include reading, watching or listening to library materials; accessing the Internet; using reference materials; making reference enquiries; and using computers. Indeed, the extensive range of materials in library collections was the most widely noted reason for visiting the library in each of the case study libraries surveyed by SGS. Collections were seen as of significant value by non-users of libraries too. The pleasant atmosphere of the library setting was also significant.

Users were willing to spend an average of \$A73 per year to maintain community access to existing public library services. Non-users were prepared to pay \$55 per year on average. It is also worth noting that 89% of these respondents indicated that libraries were worth more than they said they would pay, but this was all they could afford. In terms of benefit valuation, library users estimated that they would have to spend an average of \$A419 per year to access comparable library services from private businesses.

The study highlighted that valuing the benefits of public facilities is not a straightforward process. This brings us to the question of appropriating scarce resources when there are competing uses. Cost benefit analysis (CBA) can be used to evaluate the benefits of public facilities against the costs of sustaining them. When using CBA, the estimated benefit cost ratio (BCR) can be used as a guide to

decide which facilities generate the most benefit for every dollar expended. Of course, relying solely on the BCR to decide which services to support may not be prudent, but the BCR does provide an indication, especially when resources are scarce. One of the drawbacks of monetising benefits using survey-based techniques, as revealed by the Victorian surveys, is that estimates of users' and non-users' willingness to pay for services are constrained by their budgets. Thus, the BCR for facilities provided in rich communities is likely to be higher than the BCR for facilities provided in poor areas. This would not necessarily be an adequate representation of the value that the latter community places on the facilities. The 'market fundamentalism' that Pullman deplores may well be driving decision-making at the public policy level, but combining market thinking via economic monetisation techniques with qualitative information about the benefits of public facilities is a good way to inform those who have difficult decisions to make.

### Reference

SGS Economics & Planning (2011) *Dollars, Sense and Public Libraries*, State Library of Victoria, Melbourne, available from <http://www.slv.vic.gov.au/public-libraries>.